

Message Text

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SUMMARY. GOI IS MORE INTERESTED IN SOLVING ITS SHORT-TERM PROBLEMS THAN IT IS IN TARIFF CONCESSIONS FROM THE U.S. NEVERTHELESS, WE OFFER A TENTATIVE LIST OF U.S. TARIFF ITEMS OF POSSIBLE PRIORITY INTEREST TO THE GOI. END SUMMARY.

1. BEFORE INDICATING ITEMS IN THE US TARIFF IN WHICH ITALY PROBABLY WOULD HAVE PRIORITY INTEREST IN OBTAINING TARIFF CONCESSIONS FROM THE US, WE WANT TO EMPHASIZE THAT GOI IS CURRENTLY FAR MORE CONCERNED ABOUT ITALY'S CURRENT ECONOMIC CRISIS AND ABOUT PAYING FOR RISING IMPORTS IN THE SHORT RUN THAN OBTAINING TARIFF CONCESSIONS FOR ITALY'S EXPORTS OVER THE LONGER TERM. WHEN ASKED TO CONSIDER THE ADVANTAGES TO THEIR EXPORTS OF A TARIFF-CUTTING FORMULA OR

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OF POSSIBLE TARIFF CUTS BY THE US, ITALIANS OFFICIALS ARE

APT TO LOOK OVER THEIR SHOULDERS AT THE IMPLICATIONS OF SUCH TARIFF CUTS FOR THEIR IMPORTS. IN GENERAL, CONCERN ABOUT ITALY'S PRESENT ECONOMIC PREDICAMENT IS LIKELY TO LEAD THE GOI TO PLACE AN ESPECIALLY HIGH PRIORITY ON LOWERING BARRIERS TO EXPORTS OF INDUSTRIES THAT ARE SUFFERING MOST FROM "STRUCTURAL" PROBLEMS OR FROM THE AFTER-EFFECTS OF THE 1975 RECESSION. THE FOLLOWING LIST SHOULD BE REGARDED AS HIGHLY TENTATIVE. THE EMBASSY WILL TRY TO CONFIRM, ADJUST, INCREASE AND ADD DETAIL TO IT IN FUTURE REPORTS. TSUS NUMBERS ARE PROVIDED IN PARENS.

2. INDUSTRIAL ITEMS. (A) IRON AND STEEL UNALLOYED PLATES (608.84.20), UNALLOYED STEEL SHEETS (608.84.40), COLD ROLLED STEEL SHEETS (608.87.44), ALLOYED STEEL SHEETS (609.15.00) OTHER STEEL PLATES AND SHEETS (608.90.00) AND SPECIAL STEELS. THESE IRON AND STEEL ITEMS ARE PRODUCED LARGELY BY STATE ENTERPRISES WHICH ARE STILL SUFFERING FROM THE RECENT RECESSION AND OVERCAPACITY IN THE WORLD MARKET. GOI IS PLACING A HIGH PRIORITY ON REDUCING DEFICITS AND INCREASING INVESTMENT RESOURCES OF STATE ENTERPRISES AS A MEANS TO STABILIZE ECONOMY AND STIMULATE GROWTH, ESPECIALLY GROWTH BASED ON EXPORTS. GOI REMAINS COMMITTED TO HAVING IRI-FINSIDER (STATE-CONTROLLED STEEL HOLDING COMPANY) BUILD WHAT IS WIDELY EXPECTED TO BE AN UNECONOMIC 1.8 BILLION DOLLAR STEEL MILL AT GIORA TAURO IN SOUTHERN ITALY THAT ON BASIS OF CURRENT PLANS WOULD PRODUCE ONE MILLION METRIC TONS HM.T.) OF COLD ROLLED STEEL (AND, IN A SECOND STAGE 3.5 MILLION M.T. OF HOT ROLLED PRODUCTS) AND EMPLOY 5,400. ABOUT \$240 MILLION HAS BEEN ALLOCATED TO THE PROJECT THUS FAR. CONSTRUCTION OF A PORT FACILITY AND LAND PREPARATION IS NOW UNDERWAY. IRI-FINSIDER IS REPORTEDLY INVESTING IN A NEW PRODUCTION LINE AT ITS PIOMBINO MILL TO PRODUCE 350,000 METRIC TONS ANNUALLY OF HIGH QUALITY STEEL WIRE AND RODS BEGINNING IN 1978. CAPACITY OF THE IRI-FINSIDER TARANTO STEEL COMPLEX WAS ROUGHLY DOUBLED LAST YEAR. (B) MACHINE TOOLS (674.35.55/65) 674.35.32/38, 674.32.38-50, 674.32.70, 674.35.05/10, 674.32.32-32, 674.32.58, 674.35.44-52). ITALY'S MACHINE TOOL INDUSTRY REPORTEDLY IS SUFFERING SEVERELY FROM THE RECESSION AND IS FIGHTING HARD TO GET ORDERS FROM ANYWHERE. ITALY RANKS THIRD IN WORLD EXPORTS LIMITED OFFICIAL USE

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OF MACHINE TOOLS. THE PRIVATE SECTOR OF THE INDUSTRY IS NIWELL ORGANIZED AND VOCAL. OLIVETTI IS OPENING A NEW PLANT IN SOUTHERN ITALY FOR THE MANUFACTURE OF NUMERICALLY CONTROLLED MACHINE TOOLS AND ANOTHER NEW PLANT AT MARCIANESE (CASERTA) TO PRODUCE INDUSTRIAL ROBOTS. OLIVETTI IS ALSO EXPANDING ITS PLANT NEAR CREMONA TO PRODUCE MORE ELECTRIC MOTORS AND OTHER EQUIPMENT. (C) WOVEN COTTON FABRICS, BLEACHED OR COLORED (319.01--), WOVEN SILK FABRICS

(337.10.50 AND 337.30.80), WOVEN FABRICS OF CONTINUOUS POLYESTER FIBRES (338.30.40), WOVEN WOOL FABRICS (336.10--). THE TEXTILE INDUSTRY WAS HARD HIT BY RECESSION, BUT IS NOW RECOVERING WELL. SOCIETA ITALIANA RESINE (SIR) HAS A MAJOR NEW PLANT UNDER CONSTRUCTION AT PORTO TORRES, SARDINIA TO PRODUCE 8,000 M.T. ANNUALLY OF POLYPROPYLENE AND 8,000 M.T. OF LOW DENSITY POLYETHYLENE. (THE PLANT WOULD NOT SUPPLY CHEMICALS TO THE US, BUT WOULD INCREASE ITALY'S SUPPLY FOR THE SYNTHETIC FIBRE INDUSTRY.) MONTEDISON IS IN SERIOUS FINANCIAL DIFFICULTY MAINLY BECAUSE OF LOSSES SUFFERED BY ITS MONTIFIBRE TEXTILE SUBSIDIARY. THE GOVERNMENT IS CURRENTLY ANXIOUS TO FIND WAYS TO HELP MONTEDISON. (D) PRINTING MACHINERY (668.15--). CAPACITY IS INCREASING AND TECHNOLOGY APPEARS TO BE ADVANCING RAPIDLY. AN EXAMPLE IS THE PASSIGHI PRINTING PLANT IN FLORENCE WHICH USES PHOTON UNIT FOR PHOTO-COMPOSITION, A SIMONCINI TAPE PERFORATOR AND AN OLIVETTI CORRECTION SYSTEM. (E) FOOTWEAR (7--.10.00-700.85.50). THE INDUSTRY HAS A HIGH LEVEL OF EMPLOYMENT AND IS CONCENTRATED IN THE FLORENCE AREA. EXPORTS TO THE US REMAIN VERY LARGE (OVER \$300 MILLION).

3. AGRICULTURAL ITEMS (A) STILL WINE (167.30), VERMOUTH (167.40) CHAMPAGNE-WINE (167.10), MARSALA (167.34) CORDIALS (168.25). ITALIAN WINE EXPORTS IN THE FIRST HALF OF 1976 WERE 28 PERCENT HIGHER THAN IN THE FIRST SEMESTER OF 1975 DESPITE RESISTANCE FROM SOME IMPORTING COUNTRIES. THERE HAS BEEN SIGNIFICANT INVESTMENT IN EXPANSION OF WINERY CAPACITY--MUCH OF IT WITH EXPORTS IN MIND. MORE LAND IS BEING DEVOTED TO VINEYARDS. VIRTUALLY NONE OF THE 20,000 GROWERS IN THE ASTI AREA HAVE ACCEPTED THE EUROPEAN COMMUNITY'S OFFER OF ABOUT \$722 PER ACRE TO PLOW UP VINEYARDS. MANY GROWERS ARE WELL ORGANIZED IN PRODUCER LIMITED OFFICIAL USE

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COOPERATIVES (FEDERCONSORZI) THAT HAVE CONSIDERABLE POLITICAL INFLUENCE, ESPECIALLY ON THE CHRISTIAN DEMOCRAT (DC) PARTY BUT ALSO ON THE COMMUNIST PARTY (PCI) IN SOME REGIONS. THE INDUSTRY IS POLITICALLY IMPORTANT NOT ONLY BY WAY OF THE VAST NUMBERS OF PEOPLE EMPLOYED IN IT, BUT BY DIRECT POLITICAL CONNECTIONS-- AS IN THE CASE OF LUIGI ROSSI DI MONTELENA, AN OWNER OF MARTINI E ROSSI (PRODUCERS OF VERMOUTH AND CHAMPAGNE WINES) AND A DC DEPUTY. OVER 40 DC DEPUTIES ARE MEMBERS OF SMALL FARMER ORGANIZATIONS. (B) CANNED TOMATOES (141.66). THIS IS A LABOR-INTENSIVE INDUSTRY THAT IS POLITICALLY IMPORTANT IN THE NAPLES AND PO VALLEY AREAS. THE NUMBER OF CANNERIES IS DECLINING MAINLY DUE TO RISING LABOR COSTS. GOI WOULD BE INTERESTED IN ANYTHING THAT MIGHT HELP PRODUCTION. US IMPORTS HAVE BEEN DECLINING. (C) SHEEP

MILK CHEESE 117.65, 117.67 AND 117.70; PROVOLONE AND REGGIANO, CHEESE (117.55). ESPECIALLY THE LATTER IS ANOTHER LABOR INTENSIVE, WELL ORGANIZED INDUSTRY. MUCH OF SOURCE OF EXPORTS TO US IS IN REGGIO-EMILIA WHICH IS DOMINATED BY PCI ALTHOUGH THE PRESIDENT OF THE PARMIGIANO-REGGIANO COOPERATIVE IS A NEWLY ELECTED DC DEPUTY. GOI HAS BEEN SUPPORTING INVESTMENT IN DAIRY INDUSTRY IN GENERAL. (D) CONFECTIONARY ITEMS (157.10). MOTTA AND ALEMAGNA, ITALY'S TWO LARGEST PRODUCERS HAVE MERGED INTO UNIDAWGN WHICH MAY STRENGTHEN ITALY'S COMPETITIVENESS IN EXPORT TRADE. (E) OLIVE OIL (176.29-30). THIS LABOR-INTENSIVE INDUSTRY RECEIVES SUBSIDIES FROM THE EC. THE INDUSTRY IS POLITICALLY INFLUENTIAL.BEAUDRY

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